

AUDITING PROCEDURES REPORT

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Local Government Type [X] City [] Township [] Village [] Other		Local Government Name City of Grand Ledge		County Eaton	
Audit Date 6/30/05		Opinion Date 8/24/05		Date Accountant Report Submitted to State: December 8, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

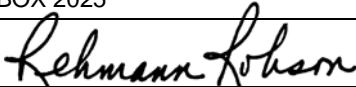
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | | | | | |
|-------|-----|-------|----|----|--|
| [] | Yes | [x] | No | 1. | Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| [x] | Yes | [] | No | 2. | There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| [x] | Yes | [] | No | 3. | There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| [] | Yes | [x] | No | 4. | The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| [] | Yes | [x] | No | 5. | The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| [] | Yes | [x] | No | 6. | The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| [] | Yes | [x] | No | 7. | The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| [] | Yes | [x] | No | 8. | The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| [] | Yes | [x] | No | 9. | The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
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Zip 48605		Accountant Signature 	

CITY OF GRAND LEDGE, MICHIGAN

Financial Statements

**For The Fiscal Year Ended
June 30, 2005**



REHMANN ROBSON

Certified Public Accountants

CITY OF GRAND LEDGE, MICHIGAN
For the Fiscal Year Ended June 30, 2005

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For the Fiscal Year Ended June 30, 2005

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

August 24, 2005

The Honorable Mayor and
Members of the City Council
City of Grand Ledge
Eaton County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **CITY OF GRAND LEDGE, MICHIGAN** as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Grand Ledge's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Grand Ledge Area Emergency Services Authority (GLAESA), which represents 20.7% of the assets and 48.7% of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report was furnished to us, and our opinion, insofar as it relates to the amounts included for the GLAESA, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Grand Ledge, Michigan*, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grand Ledge's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based upon our audit, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION and ANALYSIS

Management's Discussion and Analysis

As management of the *City of Grand Ledge, Michigan*, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$16,338,459 (*net assets*). Of this amount, \$8,493,023 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$410,625.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,946,940, an increase of \$592,225 in comparison with the prior year, all of which is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$414,824 or 13.5% of total general fund revenues and other financing sources.
- The City's total bonded debt increased by \$6,663,325 during the current fiscal year. The increase is due to the issuance of \$1,135,000 in capital improvement bonds for streets and \$7,975,000 capital lease with Eaton County for water and sewer improvements and the refunding of some outstanding debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, and recreation and culture. The business-type activities of the City include water and sewer enterprise operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 17 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, municipal street and 2004 capital improvements funds, which are considered to be major funds. Data from the other 14 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 15-23 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its equipment maintenance and employee benefits services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer systems fund, which is considered to be a major fund of the City. Conversely, all of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 24-27 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 28 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-51 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor funds are presented immediately following the required supplementary information. Combining and individual fund financial statements and schedules can be found on pages 52-67 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Grand Ledge, assets exceeded liabilities by \$16,338,459 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (47.3 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, systems and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Grand Ledge's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 2,352,243	\$ 1,718,309	\$ 7,757,118	\$ 1,945,243	\$ 10,109,361	\$ 3,663,552
Capital assets	8,526,642	8,104,952	10,057,063	9,332,280	18,583,705	17,437,232
Total assets	10,878,885	9,823,261	17,814,181	11,277,523	28,693,066	21,100,784
Long-term liabilities outstanding	2,391,948	1,510,859	8,918,472	3,100,123	11,310,420	4,610,982
Other liabilities	351,141	333,668	693,046	228,300	1,044,187	561,968
Total liabilities	2,743,089	1,844,527	9,611,518	3,328,423	12,354,607	5,172,950
Net assets:						
Invested in capital assets, net of related debt	6,333,242	6,789,211	1,402,063	6,307,799	7,735,305	13,097,010
Restricted	110,131	814,148	-	-	110,131	814,148
Unrestricted	1,692,423	375,375	6,800,600	1,641,301	8,493,023	2,016,676
Total net assets	<u>\$ 8,135,796</u>	<u>\$ 7,978,734</u>	<u>\$ 8,202,663</u>	<u>\$ 7,949,100</u>	<u>\$ 16,338,459</u>	<u>\$ 15,927,834</u>

An additional portion of the City's net assets (0.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (52.0 percent or \$8,493,032) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by \$410,625 during the current fiscal year. This increase is largely attributable to capital grants and contributions.

City of Grand Ledge's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue:						
Program revenue:						
Charges for services	\$ 650,325	\$ 472,424	\$ 2,057,290	\$ 1,968,871	\$ 2,707,615	\$ 2,441,295
Operating grants and contributions	749,240	822,303	-	-	749,240	822,303
Capital grants and contributions	-	531,612	158,296	-	158,296	531,612
General revenue:						
Property taxes	1,996,491	1,898,928	-	-	1,996,491	1,898,928
Grants and contributions not restricted to specific programs	758,358	769,653	-	-	758,358	769,653
Other	65,812	21,587	34,697	8,158	100,509	29,745
Total revenue	4,220,226	4,516,507	2,250,283	1,977,029	6,470,509	6,493,536
Expenses:						
General government	972,397	1,026,713	-	-	972,397	1,026,713
Public safety	2,052,705	1,800,106	-	-	2,052,705	1,800,106
Highways and streets	831,794	699,119	-	-	831,794	699,119
Recreation and culture	239,952	239,420	-	-	239,952	239,420
Interest on long-term debt	91,452	65,979	-	-	91,452	65,979
Water and sewer	-	-	1,871,584	1,981,296	1,871,584	1,981,296
Total expenses	4,188,300	3,831,337	1,871,584	1,981,296	6,059,884	5,812,633
Increase in net assets before transfers	31,926	685,170	378,699	(4,267)	410,625	680,903
Transfers	125,136	125,136	(125,136)	(125,136)	-	-
Increase (decrease) in net assets	157,062	810,306	253,563	(129,403)	410,625	680,903
Net assets - beginning of year, as restated	7,978,734	7,168,428	7,949,100	8,078,503	15,927,834	15,246,931
Net assets - end of year	\$ 8,135,796	\$ 7,978,734	\$ 8,202,663	\$ 7,949,100	\$ 16,338,459	\$ 15,927,834

Governmental activities. Governmental activities increased the City's net assets by \$157,062, accounting for 38.2% of the total growth in the net assets of the City. This represents a 2% increase in governmental activities net assets.

Business-type activities. Business-type activities increased the City's net assets by \$253,563. This increase is primarily due to \$158,296 of capital grants and contributions.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,946,940, an increase of \$592,225 from the prior year, all of which constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the general fund was \$414,824, all of which was unreserved, undesignated. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total general fund revenues. Unreserved fund balance represents 13.5 percent of total general fund revenues and other financing sources. Unreserved fund balance decreased by \$125,742 during the current fiscal year, which was \$93,703 less than planned use of fund balance as provided in the final budget.

The municipal street fund reported a decrease in total fund balance of \$2,387. Original budget estimates anticipated lower revenues and higher expenditures than actually occurred.

The 2004 capital improvement fund was established during the current fiscal year to account for the proceeds of the \$1,135,000 capital improvement bonds issued for street improvements. At the end of the current fiscal year, total fund balance of the 2004 capital improvement fund was \$486,993, all of which was unreserved, undesignated.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the water and sewer enterprise fund at the end of the year amounted to \$1,402,063. The fund had an increase in net assets for the year of \$239,122. Factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures were relatively minor. Changes between original and final budget balances result from the carryover of certain budget appropriations under the City's budgetary policies and several supplemental appropriations.

For the year, general fund budgetary estimates for revenues and expenditures were greater than actual, resulting in a net decrease in fund balance that was \$93,703 less than anticipated in the final amended budget.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2005, amounted to \$18,583,705 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, system, vehicles and equipment, park facilities, roads, highways, and bridges. Net capital assets for governmental activities increased 7.8%, and for business-type activities increased by 8.1%. Overall, total net capital assets for the City increased 8.0%.

Major capital asset events during the current fiscal year included infrastructure additions of over \$565,000.

City of Grand Ledge's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 1,162,549	\$ 1,162,549	\$ 466,214	\$ 466,214	\$ 1,628,763	\$ 1,628,763
Land improvements	1,475,659	1,501,851	-	-	1,475,659	1,501,851
Buildings and systems	1,263,156	1,320,691	9,229,601	8,515,250	10,492,757	9,835,941
Equipment	316,977	264,192	361,248	350,816	678,225	615,008
Infrastructure	4,308,301	3,855,669	-	-	4,308,301	3,855,669
Total	\$ 8,526,642	\$ 8,104,952	\$ 10,057,063	\$ 9,332,280	\$ 18,583,705	\$ 17,437,232

Additional information on the City's capital assets can be found in Note 3-C. on pages 39-41 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$10,582,317. Of this amount, \$9,902,317 is comprised of debt backed by the full faith and credit of the government. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources.

City of Grand Ledge's Outstanding Debt
General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$1,927,317	\$ 938,992	\$ -	\$1,660,000	\$ 1,927,317	\$ 2,598,992
Revenue bonds	-	-	680,000	1,320,000	680,000	1,320,000
Capital lease (Eaton County)	-	-	7,975,000	-	7,975,000	-
Total	\$1,927,317	\$ 938,992	\$ 8,655,000	\$2,980,000	\$10,582,317	\$ 3,918,992

The City's total bonded debt increased by \$6,663,325 (170.0 percent) during the current fiscal year. The City issued \$1,135,000 of limited tax general obligation capital improvement bonds to finance various street improvement projects within the City. The City also entered into a capital lease with Eaton County in the amount of \$7,975,000 for water and sewer improvements and the refunding of \$2,155,000 of outstanding bonded debt.

The City's underlying credit rating for its general obligation unlimited tax bonds is currently A- as rated by Standard & Poors.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total state equalized valuation. The current debt limitation for the City is \$22,294,214, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3-F. on pages 42-48 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2005-06 fiscal year:

- No growth in state shared revenue.
- Limited growth in total controlled revenues.
- Inflationary trends in the region are comparable to national indices.

During the current fiscal year, unreserved undesignated fund balance in the general fund decreased by \$125,742 to \$414,824.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, 200 East Jefferson, Grand Ledge, Michigan 48837-1537.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Grand Ledge, Michigan
Statement of Net Assets
June 30, 2005

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
Assets				
Cash and cash equivalents	\$ 1,753,924	\$ 6,725,166	\$ 8,479,090	\$ 490,745
Receivables	551,748	876,146	1,427,894	79,060
Internal balances	(13,510)	13,510	-	-
Prepaid items and other assets	60,081	142,296	202,377	1,482
Capital assets not being depreciated	1,162,549	466,214	1,628,763	2,741,304
Capital assets being depreciated, net	7,364,093	9,590,849	16,954,942	1,929,295
Total assets	10,878,885	17,814,181	28,693,066	5,241,886
Liabilities				
Accounts payable and accrued expenses	235,505	603,149	838,654	295,016
Accrued interest payable	28,834	89,897	118,731	88,129
Unearned revenue	86,802	-	86,802	43,099
Long-term liabilities:				
Due within one year	213,457	373,282	586,739	549,338
Due in more than one year	2,178,491	8,545,190	10,723,681	6,326,423
Total liabilities	2,743,089	9,611,518	12,354,607	7,302,005
Net Assets				
Invested in capital assets, net of related debt	6,333,242	7,608,704	13,941,946	825,273
Restricted for:				
Debt service	3,512	-	3,512	7,274
Capital projects	-	-	-	142,590
Perpetual care - expendable	7,500	-	7,500	-
Perpetual care - nonexpendable	91,828	-	91,828	-
Other purposes	14,791	-	14,791	-
Unrestricted (deficit)	1,684,923	593,959	2,278,882	(3,035,256)
Total net assets (deficit)	\$ 8,135,796	\$ 8,202,663	\$ 16,338,459	\$ (2,060,119)

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Activities
For the Year Ended June 30, 2005

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities:					
General government	\$ 972,397	\$ 502,129	\$ 100,786	\$ -	\$ (369,482)
Public safety	2,052,705	41,875	129,863	-	(1,880,967)
Highways and streets	831,794	12,555	506,591	-	(312,648)
Recreation and cultural	239,952	94,310	-	-	(145,642)
Interest on long-term debt	91,452	-	12,000	-	(79,452)
Total governmental activities	<u>4,188,300</u>	<u>650,869</u>	<u>749,240</u>	<u>-</u>	<u>(2,788,191)</u>
Business-type activities:					
Water and sewer	<u>1,871,584</u>	<u>2,057,290</u>	<u>-</u>	<u>158,296</u>	<u>344,002</u>
Total primary government	<u>\$ 6,059,884</u>	<u>\$ 2,708,159</u>	<u>\$ 749,240</u>	<u>\$ 158,296</u>	<u>\$ (2,444,189)</u>
Component units					
Emergency services	\$ 926,133	\$ 105,927	\$ 741,341	\$ -	\$ (78,865)
Economic development	<u>650,973</u>	<u>-</u>	<u>-</u>	<u>62,300</u>	<u>(588,673)</u>
Total component units	<u>\$ 1,577,106</u>	<u>\$ 105,927</u>	<u>\$ 741,341</u>	<u>\$ 62,300</u>	<u>\$ (667,538)</u>

continued...

City of Grand Ledge, Michigan
Statement of Activities (Concluded)
For the Year Ended June 30, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net (expense) revenue	\$ (2,788,191)	\$ 344,002	\$ (2,444,189)	\$ (667,538)
General revenues:				
Property taxes	1,996,491	-	1,996,491	784,670
Grants and contributions not restricted to specific programs	758,358	-	758,358	35,858
Unrestricted investment earnings	53,402	34,697	88,099	11,126
Gain on sale of capital assets	11,866	-	11,866	-
Transfers - internal activities	125,136	(125,136)	-	-
Total general revenues and transfers	2,945,253	(90,439)	2,854,814	831,654
Change in net assets	157,062	253,563	410,625	164,116
Net assets (deficit), beginning of year, as restated	7,978,734	7,949,100	15,927,834	(2,224,235)
Net assets (deficit), end of year	<u>\$ 8,135,796</u>	<u>\$ 8,202,663</u>	<u>\$ 16,338,459</u>	<u>\$ (2,060,119)</u>

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Balance Sheet
Governmental Funds
June 30, 2005

	<u>General</u>	<u>Municipal Street</u>	<u>2004 Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
<u>ASSETS</u>					
Assets					
Cash and cash equivalents	\$ 202,520	\$ 111,797	\$ 577,434	\$ 804,778	\$ 1,696,529
Receivables:					
Taxes	12,160	1,216	-	3,648	17,024
Special assessments	-	69,778	-	-	69,778
Accounts	38,846	-	-	17,576	56,422
Note	-	-	-	51,567	51,567
Due from other governments	242,578	-	-	112,790	355,368
<u>TOTAL ASSETS</u>	<u>\$ 496,104</u>	<u>\$ 182,791</u>	<u>\$ 577,434</u>	<u>\$ 990,359</u>	<u>\$ 2,246,688</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts payable	\$ 35,890	\$ 382	\$ 90,441	\$ 34,476	\$ 161,189
Salaries payable	33,230	1,284	-	17,243	51,757
Deferred revenue	12,160	70,994	-	3,648	86,802
Total liabilities	<u>81,280</u>	<u>72,660</u>	<u>90,441</u>	<u>55,367</u>	<u>299,748</u>
Fund balances					
Unreserved:					
Designated for subsequent year	-	-	-	59,847	59,847
Undesignated	414,824	110,131	486,993	-	1,011,948
Undesignated, reported in nonmajor:					
Special revenue funds	-	-	-	779,160	779,160
Debt service funds	-	-	-	4,157	4,157
Permanent fund	-	-	-	91,828	91,828
Total fund balances	<u>414,824</u>	<u>110,131</u>	<u>486,993</u>	<u>934,992</u>	<u>1,946,940</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 496,104</u>	<u>\$ 182,791</u>	<u>\$ 577,434</u>	<u>\$ 990,359</u>	<u>\$ 2,246,688</u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

City of Grand Ledge, Michigan
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2005

Fund balances - total governmental funds \$ 1,946,940

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	10,714,544
Deduct - accumulated depreciation	(2,462,973)

An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Add - net assets of governmental activities accounted for in the internal service fund	327,430
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds and purchase agreements payable	(2,193,400)
Add - unamortized discount on bonds	16,045
Add - unamortized bond issuance costs	26,064
Deduct - accrued interest on bonds payable	(28,834)
Deduct - compensated absences	(210,020)

Net assets of governmental activities	<u>\$ 8,135,796</u>
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The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	General	Municipal Street	2004 Capital Improvement	Other Governmental Funds	Totals Governmental Funds
Revenue					
Taxes	\$ 1,378,684	\$ 398,158	\$ -	\$ 219,649	\$ 1,996,491
Licenses and permits	295,429	-	-	-	295,429
Intergovernmental	864,425	-	-	525,352	1,389,777
Charges for services	12,014	-	-	201,806	213,820
Fines and forfeitures	18,071	-	-	-	18,071
Investment income	16,796	7,971	9,217	18,818	52,802
Other	92,572	9,851	-	33,341	135,764
Total revenue	2,677,991	415,980	9,217	998,966	4,102,154
Expenditures					
Current:					
General government	828,668	-	-	150,327	978,995
Public safety	1,953,523	-	-	34,558	1,988,081
Highway and streets	68,744	47,310	-	539,880	655,934
Recreation and cultural	-	-	-	192,887	192,887
Capital outlay	-	-	612,543	40,125	652,668
Debt service:					
Principal	-	16,733	-	240,608	257,341
Interest and fiscal charges	-	10,442	-	81,526	91,968
Bond issuance costs	-	-	27,656	-	27,656
Total expenditures	2,850,935	74,485	640,199	1,279,911	4,845,530
Revenue over (under) expenditures	(172,944)	341,495	(630,982)	(280,945)	(743,376)
Other financing sources (uses)					
Transfers in	281,077	-	-	764,023	1,045,100
Transfers out	(314,365)	(343,882)	-	(261,717)	(919,964)
Transfers from component units	93,606	-	-	12,000	105,606
Transfers to component units	(24,982)	-	-	-	(24,982)
Issuance of bonds	-	-	1,135,000	-	1,135,000
Original issuance discount on bonds	-	-	(17,025)	-	(17,025)
Proceeds from sale of capital assets	11,866	-	-	-	11,866
Total other financing sources (uses)	47,202	(343,882)	1,117,975	514,306	1,335,601
Net changes in fund balances	(125,742)	(2,387)	486,993	233,361	592,225
Fund balances, beginning of year, as restated	540,566	112,518	-	701,631	1,354,715
Fund balances, end of year	\$ 414,824	\$ 110,131	\$ 486,993	\$ 934,992	\$ 1,946,940

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2005

Net change in fund balances - total governmental funds	\$ 592,225
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	638,545
Deduct - depreciation expense	(262,988)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct - proceeds from the issuance of bonds	(1,117,975)
Add - bond issuance costs	27,656
Add - principal payments on long-term liabilities	257,341

An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Add - investment income from governmental internal service funds	600
Add - net operating income from governmental activities in internal service funds	42,865

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest payable on bonds	516
Deduct - increase in the accrual for compensated absences	(21,723)

Change in net assets of governmental activities	\$ 157,062
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The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ 1,418,554	\$ 1,418,554	\$ 1,378,684	\$ (39,870)
Licenses and permits	147,500	292,670	295,429	2,759
Intergovernmental	875,361	875,361	864,425	(10,936)
Charges for services	18,700	18,700	12,014	(6,686)
Fines and forfeitures	22,000	22,000	18,071	(3,929)
Interest	15,000	15,000	16,796	1,796
Other	40,500	43,495	92,572	49,077
Total revenues	2,537,615	2,685,780	2,677,991	(7,789)
Expenditures				
General government				
Legislative	12,380	12,680	11,174	(1,506)
Tax sharing	20,000	20,000	18,226	(1,774)
Cable TV	16,080	18,180	5,200	(12,980)
City administrator	177,655	187,408	187,403	(5)
Economic development	41,800	41,800	40,388	(1,412)
Elections	21,070	21,679	21,600	(79)
Auditing	16,500	32,930	32,872	(58)
Assessing	73,500	77,475	73,215	(4,260)
Attorney	34,100	42,700	42,188	(512)
City clerk	91,270	92,891	92,207	(684)
Finance	137,517	144,464	141,503	(2,961)
City hall	100,399	107,206	100,407	(6,799)
Recycling	28,950	29,950	28,254	(1,696)
Other	23,108	37,088	34,031	(3,057)
Total general government	794,329	866,451	828,668	(37,783)
Public safety				
Police	1,154,206	1,219,086	1,164,565	(54,521)
Fire	463,000	473,551	473,550	(1)
Building inspection	76,200	245,770	245,749	(21)
Planning commission	5,350	11,350	7,772	(3,578)
Zoning	48,400	65,844	61,887	(3,957)
Total public safety	1,747,156	2,015,601	1,953,523	(62,078)
Highway and streets				
Street lighting	67,000	68,745	68,744	(1)
Total expenditures	2,608,485	2,950,797	2,850,935	(99,862)
Revenues over (under) expenditures	(70,870)	(265,017)	(172,944)	92,073

City of Grand Ledge, Michigan
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Other financing sources (uses)				
Transfers in	\$ 200,531	\$ 288,809	\$ 281,077	\$ (7,732)
Transfers out	(281,865)	(314,365)	(314,365)	-
Transfers from component units	93,610	93,610	93,606	(4)
Transfers to component units	(24,982)	(24,982)	(24,982)	-
Proceeds from sale of capital assets	-	2,500	11,866	9,366
Total other sources (uses)	(12,706)	45,572	47,202	1,630
Net change in fund balance	(83,576)	(219,445)	(125,742)	93,703
Fund balance, beginning of year, as restated	540,566	540,566	540,566	-
Fund balance, end of year	\$ 456,990	\$ 321,121	\$ 414,824	\$ 93,703

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Municipal Street
For the Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ 401,500	\$ 401,500	\$ 398,158	\$ (3,342)
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	750	750	7,971	7,221
Other	10,600	10,600	9,851	(749)
Total revenues	412,850	412,850	415,980	3,130
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	49,560	50,946	47,310	(3,636)
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	17,250	17,250	16,733	(517)
Interest	11,100	11,100	10,442	(658)
Total expenditures	77,910	79,296	74,485	(4,811)
Revenues over (under) expenditures	334,940	333,554	341,495	7,941
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(336,882)	(343,882)	(343,882)	-
Total other financing sources (uses)	(336,882)	(343,882)	(343,882)	-
Net change in fund balance	(1,942)	(10,328)	(2,387)	7,941
Fund balance, beginning of year	112,518	112,518	112,518	-
Fund balance, end of year	\$ 110,576	\$ 102,190	\$ 110,131	\$ 7,941

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Net Assets
Proprietary Funds
June 30, 2005

	Business-type Activities	Governmental Activities
	Water and Sewer Enterprise Fund	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 518,525	\$ 57,395
Cash on deposit with Eaton County	6,206,641	-
Accounts receivable	683,242	1,589
Advances to component unit	192,904	-
Prepaid items	-	34,017
Unamortized bond issuance costs	142,296	-
Total current assets	<u>7,743,608</u>	<u>93,001</u>
Noncurrent assets:		
Capital assets, net	<u>10,057,063</u>	<u>275,071</u>
Total assets	<u>17,800,671</u>	<u>368,072</u>
Liabilities		
Current liabilities:		
Accounts payable	594,843	21,022
Salaries payable	8,306	1,537
Accrued interest payable	89,897	-
Accrued compensated absences	8,282	549
Bonds and leases payable, current portion	365,000	-
Total current liabilities	<u>1,066,328</u>	<u>23,108</u>
Noncurrent liabilities:		
Accrued compensated absences, net of current portion	60,734	4,024
Bonds and leases payable, net of current portion	8,484,456	-
Total noncurrent liabilities	<u>8,545,190</u>	<u>4,024</u>
Total liabilities	<u>9,611,518</u>	<u>27,132</u>
Net assets		
Invested in capital assets, net of related debt	7,608,704	275,071
Unrestricted	<u>580,449</u>	<u>65,869</u>
	<u>\$ 8,189,153</u>	<u>\$ 340,940</u>

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Reconciliation of Net Assets on the Statement of
Net Assets for Enterprise Fund to Net Assets of
Business-type Activities on the Statement of Net Assets
June 30, 2005

Net assets - enterprise fund	\$ 8,189,153
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Amounts reported for *business-type activities* in the statement of net assets are different because:

An internal service fund is used by management to charge the costs of certain services to individual governmental and business-type funds. The net revenue (expense) of the internal service fund is allocated to governmental and and business-type activities.

Add - cumulative portion of internal service fund net income attributed to business-type activities	13,510
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Net assets of business-type activities	<u><u>\$ 8,202,663</u></u>
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The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

	<u>Business-type Activities</u> <u>Water and Sewer Enterprise Fund</u>	<u>Governmental Activities</u> <u>Internal Service Funds</u>
Operating revenues		
Charges for services:		
Water operations	\$ 980,936	\$ -
Sewer operations	1,076,354	-
Internal operations	-	681,675
Other revenue	-	34,648
Total operating revenues	<u>2,057,290</u>	<u>716,323</u>
Operating expenses		
Personnel	684,469	549,581
Repair and maintenance	241,148	39,143
Utilities	111,083	5,211
Other	255,431	18,489
Depreciation	398,172	46,593
Total operating expenses	<u>1,690,303</u>	<u>659,017</u>
Operating income	<u>366,987</u>	<u>57,306</u>
Non-operating revenue (expense)		
Investment income (loss)	34,697	600
Interest expense	(195,722)	-
Total non-operating expense	<u>(161,025)</u>	<u>600</u>
Income before contributions and transfers	205,962	57,906
Capital contributions	158,296	-
Transfers out	<u>(125,136)</u>	<u>-</u>
Change in net assets	239,122	57,906
Net assets, beginning of year, as restated	<u>7,950,031</u>	<u>283,034</u>
Net assets, end of year	<u><u>\$ 8,189,153</u></u>	<u><u>\$ 340,940</u></u>

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Reconciliation of the Statement of Revenues, Expenses
and Change in Fund Net Assets of Enterprise Fund
to the Statement of Activities
For the Year Ended June 30, 2005

Change in net assets - enterprise fund	\$ 239,122
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Amounts reported for *business-type activities* in the statement of activities are different because:

An internal service fund is used by management to charge the costs of certain services to individual governmental and business-type funds. The net revenue (expense) of the internal service fund is allocated to governmental and business-type activities.

Add - operating income from internal service fund related to enterprise fund	<u>14,441</u>
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Change in net assets of business-type activities	<u><u>\$ 253,563</u></u>
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The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	<u>Business-type Activities</u> <u>Water and Sewer Enterprise Fund</u>	<u>Governmental Activities</u> <u>Internal Service Funds</u>
Cash flows from operating activities		
Cash received from customers	\$ 2,016,697	\$ -
Cash received from interfund services	-	681,675
Cash payments to suppliers for goods and services	(197,926)	(463,194)
Cash payments to employees	(524,463)	(69,603)
Cash payments for interfund services	(66,249)	-
	<u>1,228,059</u>	<u>148,878</u>
Cash flows from non-capital financing activities		
Transfers to other funds	(125,136)	-
	<u>(125,136)</u>	<u>-</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(964,659)	(92,728)
Proceeds from the issuance of bonds	8,240,611	-
Payment to refunding bond escrow agent	(2,155,223)	-
Payment of bond issuance costs	(142,897)	-
Long-term debt principal payments	(260,756)	-
Interest payments on long-term debt	(131,161)	-
	<u>(483,085)</u>	<u>(92,728)</u>
Net cash provided (used) by capital and related financing activities	4,585,915	(92,728)
	<u>4,585,915</u>	<u>(92,728)</u>
Cash flows from investing activities		
Interest on investments	33,581	600
	<u>33,581</u>	<u>600</u>
Net increase in cash and cash equivalents	5,722,419	56,750
Cash and cash equivalents:		
Beginning of year	1,002,747	645
	<u>1,002,747</u>	<u>645</u>
End of year	<u>\$ 6,725,166</u>	<u>\$ 57,395</u>
Reconciliation of cash per Statement of Net Assets:		
Cash and cash equivalents	\$ 518,525	\$ 57,395
Cash on deposit with Eaton County	6,206,641	-
	<u>\$ 6,725,166</u>	<u>\$ 57,395</u>

Continued...

City of Grand Ledge, Michigan
Statement of Cash Flows (Concluded)
Proprietary Funds
For the Year Ended June 30, 2005

	<u>Business-type Activities</u> <u>Water and Sewer Enterprise Fund</u>	<u>Governmental Activities</u> <u>Internal Service Funds</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 366,987	\$ 57,306
Adjustments to reconcile operating income to net cash provided by operation activities:		
Depreciation	398,172	46,593
Change in assets and liabilities:		
Accounts receivable	117,703	34,614
Due from component unit	(158,296)	-
Prepaid expenses	-	(6,616)
Accounts payable	409,736	19,147
Salaries payable	(7,491)	82
Interfund borrowing	107,874	-
Accrued compensated absences	<u>(6,626)</u>	<u>(2,248)</u>
Net cash provided by operating activities	<u><u>\$ 1,228,059</u></u>	<u><u>\$ 148,878</u></u>
 Non-Cash		
Capital contributions	<u><u>\$ 158,296</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2005

	<u>Total</u>
Assets	
Cash and cash equivalents	<u><u>\$ 21,863</u></u>
Liabilities	
Accounts payable	\$ 704
Undistributed taxes	<u> 21,159</u>
Total liabilities	<u><u>\$ 21,863</u></u>

The accompanying notes are an integral part of these financial statements.

**COMPONENT UNITS
FINANCIAL STATEMENTS**

City of Grand Ledge, Michigan
Combining Statement of Net Assets
Component Units
June 30, 2005

	Downtown Development Authority	Local Development Finance Authority	Grand Ledge Area Emergency Services Authority	Total
Assets				
Cash and cash equivalents	\$ 262,471	\$ 25,915	\$ 202,359	\$ 490,745
Receivables	5,881	561	72,618	79,060
Prepaid items and other assets	-	-	1,482	1,482
Capital assets not being depreciated	48,892	2,692,412	-	2,741,304
Capital assets being depreciated, net	1,119,898	-	809,397	1,929,295
Total assets	<u>1,437,142</u>	<u>2,718,888</u>	<u>1,085,856</u>	<u>5,241,886</u>
Liabilities				
Accounts payable and accrued expenses	47,521	193,482	54,013	295,016
Accrued interest payable	31,060	44,869	12,200	88,129
Unearned revenue	-	-	43,099	43,099
Long-term liabilities:				
Due within one year	324,750	131,879	92,709	549,338
Due in more than one year	3,732,850	2,091,346	502,227	6,326,423
Total liabilities	<u>4,136,181</u>	<u>2,461,576</u>	<u>704,248</u>	<u>7,302,005</u>
Net Assets				
Invested in capital assets, net of related debt	93,790	469,187	262,296	825,273
Restricted for:				
Debt service	7,274	-	-	7,274
Capital projects	142,590	-	-	142,590
Unrestricted (deficit)	(2,942,693)	(211,875)	119,312	(3,035,256)
Total net assets (deficit)	<u>\$ (2,699,039)</u>	<u>\$ 257,312</u>	<u>\$ 381,608</u>	<u>\$ (2,060,119)</u>

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2005

	Downtown Development Authority	Local Development Finance Authority	Grand Ledge Area Emergency Services Authority	Total
Expenses				
Emergency services	\$ -	\$ -	\$ 899,939	\$ 899,939
Economic development	292,781	78,888	-	371,669
Interest on long-term debt	198,042	81,262	26,194	305,498
Total expenses	490,823	160,150	926,133	1,577,106
Program revenues				
Charges for services	-	-	105,927	105,927
Operating grants and contributions	-	-	741,341	741,341
Capital grants and contributions	-	62,300	-	62,300
Total program revenues	-	62,300	847,268	909,568
Net program revenues (expense)	(490,823)	(97,850)	(78,865)	(667,538)
General revenues				
Property taxes	784,670	-	-	784,670
Grants and contributions not restricted to specific programs	10,876	24,982	-	35,858
Unrestricted investment earnings	9,569	420	1,137	11,126
Total general revenues	805,115	25,402	1,137	831,654
Change in net assets	314,292	(72,448)	(77,728)	164,116
Net assets (deficit), beginning of year, as restated	(3,013,331)	329,760	459,336	(2,224,235)
Net assets (deficit), end of year	\$ (2,699,039)	\$ 257,312	\$ 381,608	\$ (2,060,119)

The accompanying notes are an integral part of these financial statement

NOTES to the FINANCIAL STATEMENTS

CITY OF GRAND LEDGE, MICHIGAN

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Notes to the Financial Statements

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CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Grand Ledge, Michigan is a municipal corporation governed by a seven-member council and administered by an appointed City Administrator. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The government has no blended component units; the discretely presented component units have June 30 year-ends.

Discretely presented component units.

The City of Grand Ledge Downtown Development Authority (DDA) was established under Public Act 197 of 1975 to revitalize and plan for controlled development of the downtown business district. The government's council appoints the members of the DDA's governing board. The DDA is also fiscally dependent upon the City because the government's council approves the DDA's budget and any debt issuances. Financial statements for the DDA may be obtained from the City of Grand Ledge.

The City of Grand Ledge Local Development Finance Authority (LDFA) was established under Public Act 281 of 1986 to preserve and promote the continued growth of the City and the LDFA district. The government's council appoints the members of the LDFA's governing board. The LDFA is also fiscally dependent upon the City because the government's council approves the LDFA's budget and any debt issuances.

The activities of the LDFA are accounted for in a single fund; accordingly, separate financial statements are not issued for it.

The Grand Ledge Area Emergency Services Authority (GLAESA) was established on October 1, 2001 under the provisions of Public Act 57 of 1988 to provide fire protection and rescue services within the boundaries of the City of Grand Ledge and the Township of Oneida (the incorporating municipalities). GLAESA is governed by a five-member board consisting of three members appointed by the City and two by the Township. GLAESA relies on funding for its operations from the City and Township. Financial statements for GLAESA may be obtained by writing the Authority at 500 North Clinton Street, Grand Ledge, Michigan 48837.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *municipal street fund* accounts for the use of property tax revenues voted for street purposes.

The *2004 capital improvement fund* accounts for the proceeds of certain bond issues and the expenditure of those monies on capital projects.

The government reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities of the government's water distribution and treatment system.

Additionally, the government reports the following fund types:

Special revenue funds. These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

Debt service funds. These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Permanent fund. This fund accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Internal service funds. These funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. This includes equipment management and employee medical management services.

Agency funds. These funds account for assets held for other governments in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the wastewater and water enterprise fund and of the government's internal service funds are charges to customers for sales and services. The enterprise fund also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

D. Assets, liabilities and net assets/equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments, if any, are reported at fair value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and plants	20-40
Public domain infrastructure	50
System infrastructure	50
Vehicles	5-10
Equipment	3-15

5. *Compensated absences*

It is the government's policy to permit eligible employees to accumulate earned but unused vacation and sick pay benefits. Employees are allowed to accumulate an unlimited amount of sick leave, which is paid only upon illness while in the employ of the City or upon retirement. Payment for sick leave upon retirement is capped at \$5,000. Earned vacation time may be accumulated for up to two years. Employees are only paid for unused vacation at the time of termination. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

6. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

7. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, if any, represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

Prior to the first regular Council meeting in April, the budget officer submits to the Council a proposed budget for the fiscal year beginning the following July 1. A public hearing is then conducted to obtain citizen comments. No later than the first Council meeting in June, the budget is required to be legally enacted through passage of a resolution.

The budget for the General Fund is adopted at the department level; all other budgets are adopted on a functional level. Certain supplemental budgetary appropriations were made during the year, which were not considered material.

Encumbrance accounting is employed in governmental funds. Encumbrances (i.e., purchase orders, contracts) outstanding at year-end, if any, are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

B. Excess of expenditures over appropriations

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2005, the government had no expenditures in excess of the amounts appropriated at the legal level of budgetary control.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

At year-end, the carrying amounts of deposits for the City and component units were \$2,293,707 and \$490,745, respectively. The combined bank balance was \$2,877,044. Of the bank balance, \$300,000 was covered by federal depository insurance. The remaining balance of \$2,577,044 was uninsured and uncollateralized, and therefore exposed to custodial credit risk.

The cash on deposit with Eaton County is pooled with other County funds, and therefore, the amount of these funds exposed to custodial credit risk cannot be determined.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the government evaluates each financial institution with which it deposits government funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

At year-end, neither the City nor its component units had any investments.

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets to deposits and investments as classified for note disclosure purposes is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Cash and cash equivalents		
Statement of Net Assets	\$ 8,479,090	\$ 490,745
Statement of Fiduciary Net Assets	<u>21,863</u>	<u>-</u>
	<u>\$ 8,500,953</u>	<u>\$ 490,745</u>
Bank deposits (checking accounts)	\$ 2,293,707	\$ 490,745
Cash on deposit with Eaton County	6,206,641	-
Cash on hand	<u>605</u>	<u>-</u>
	<u>\$ 8,500,953</u>	<u>\$ 490,745</u>

B. Receivables

Receivables in the governmental activities are 64 percent due from other governments and 36 percent other receivables. Business-type activities receivables are composed entirely of amounts due from customers.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

C. Capital assets

Capital assets activity for the year ended June 30, 2005 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 1,162,549	\$ -	\$ -	\$ 1,162,549
Capital assets, being depreciated:				
Land improvements	1,649,729	15,620	-	1,665,349
Buildings	1,949,661	-	(9,921)	1,939,740
Equipment	1,058,540	149,862	(222,219)	986,183
Infrastructure	5,092,156	565,790	-	5,657,946
Total capital assets being depreciated	<u>9,750,086</u>	<u>731,272</u>	<u>(232,140)</u>	<u>10,249,218</u>
Less accumulated depreciation for:				
Land improvements	(147,878)	(41,812)	-	(189,690)
Buildings	(628,970)	(57,535)	9,921	(676,584)
Equipment	(794,348)	(97,077)	222,219	(669,206)
Infrastructure	<u>(1,236,487)</u>	<u>(113,158)</u>	<u>-</u>	<u>(1,349,645)</u>
Total accumulated depreciation	<u>(2,807,683)</u>	<u>(309,582)</u>	<u>232,140</u>	<u>(2,885,125)</u>
Total capital assets, being depreciated, net	<u>6,942,403</u>	<u>421,690</u>	<u>-</u>	<u>7,364,093</u>
Governmental activities capital assets, net	<u>\$ 8,104,952</u>	<u>\$ 421,690</u>	<u>\$ -</u>	<u>\$ 8,526,642</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 466,214	\$ -	\$ -	\$ 466,214
Capital assets, being depreciated:				
Buildings and systems	13,307,917	1,031,112	-	14,339,029
Equipment	1,278,934	91,843	(221,456)	1,149,321
Total capital assets being depreciated	<u>14,586,851</u>	<u>1,122,955</u>	<u>(221,456)</u>	<u>15,488,350</u>
Less accumulated depreciation for:				
Buildings and systems	(4,792,667)	(316,761)	-	(5,109,428)
Equipment	<u>(928,118)</u>	<u>(81,411)</u>	<u>221,456</u>	<u>(788,073)</u>
Total accumulated depreciation	<u>(5,720,785)</u>	<u>(398,172)</u>	<u>221,456</u>	<u>(5,897,501)</u>
Total capital assets, being depreciated, net	<u>8,866,066</u>	<u>724,783</u>	<u>-</u>	<u>9,590,849</u>
Business-type activities capital assets, net	<u>\$ 9,332,280</u>	<u>\$ 724,783</u>	<u>\$ -</u>	<u>\$ 10,057,063</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 38,709
Public safety	42,224
Highways, including depreciation of general infrastructure assets	133,902
Parks and recreation	48,154
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>46,593</u>

Total depreciation expense - governmental activities **\$ 309,582**

Business-type activities -

Water and sewer	<u>\$ 398,172</u>
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Discretely presented component units

Capital assets activity for the discretely presented component units for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Downtown Development Authority				
Capital assets, not being depreciated:				
Land	\$ 48,892	\$ -	\$ -	\$ 48,892
Capital assets, being depreciated:				
Land improvements	1,175,721	68,882	-	1,244,603
Less accumulated depreciation for:				
Land improvements	<u>(74,921)</u>	<u>(49,784)</u>	<u>-</u>	<u>(124,705)</u>
Total capital assets, being depreciated, net	<u>1,100,800</u>	<u>19,098</u>	<u>-</u>	<u>1,119,898</u>
DDA capital assets, net	<u>\$ 1,149,692</u>	<u>\$ 19,098</u>	<u>\$ -</u>	<u>\$ 1,168,790</u>
Local Development Finance Authority				
Capital assets, not being depreciated:				
Land	<u>\$ 2,785,175</u>	<u>\$ 231,652</u>	<u>\$ (324,415)</u>	<u>\$ 2,692,412</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Grand Ledge Area Emergency Services Authority				
Capital assets, being depreciated:				
Equipment	\$ 931,344	\$ 219,483	\$ -	\$ 1,150,827
Less accumulated depreciation for:				
Equipment	(237,803)	(103,627)	-	(341,430)
GLAESA capital assets, net	<u><u>\$ 693,541</u></u>	<u><u>\$ 115,856</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 809,397</u></u>

D. Payables

Payables in the governmental activities are 77 percent vendors and 23 percent payroll and deposits. Business-type activities payables are 99 percent vendors and 1 percent payroll and deposits.

E. Interfund transfers

For the year ended June 30, 2005, interfund transfers consisted of the following:

	<u>General Fund</u>	<u>Municipal Street Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
<u>Transfers To:</u>					
General Fund	\$ -	\$ 25,741	\$ 130,200	\$ 125,136	\$ 281,077
Nonmajor governmental	314,365	318,141	131,517	-	764,023
Total	<u><u>\$ 314,365</u></u>	<u><u>\$ 343,882</u></u>	<u><u>\$ 261,717</u></u>	<u><u>\$ 125,136</u></u>	<u><u>\$ 1,045,100</u></u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

F. Long-term debt

General obligation bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities as well as the component unit. The original amount of general obligation bonds issued in prior years for the governmental activities debt listed below was \$3,265,121. General obligation bonds amounting to \$1,135,000 were issued during the current year.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities		
1997 drain	6.27%	\$ 136,552
1997 drain	6.27%	65,592
2001 drain	5.0-5.3%	295,173
2001 bridge improvement	4.1-6.0%	365,000
2004 capital improvement	2.5-3.6%	1,065,000
		<u><u>\$ 1,927,317</u></u>
Discretely presented component units		
DDA		
1998 refunding	3.9-4.850%	\$ 2,795,000
2001 parking lot	4.0-4.875%	1,075,000
LDFA		
2001 transportation	4.83%	225,000
2002 capital improvement	5.0-7.0%	470,000
		<u><u>\$ 4,565,000</u></u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30	Governmental Activities		Component Units	
	Principal	Interest	Principal	Interest
2006	\$ 151,675	\$ 72,436	\$ 340,000	\$ 211,537
2007	156,675	66,848	355,000	196,597
2008	161,675	61,139	370,000	180,972
2009	166,675	55,497	390,000	164,494
2010	166,676	49,371	390,000	147,012
2011-2015	813,941	153,155	1,925,000	466,303
2016-2020	250,000	39,870	585,000	137,885
2021-2023	60,000	4,634	210,000	14,346
	<u>\$ 1,927,317</u>	<u>\$ 502,950</u>	<u>\$ 4,565,000</u>	<u>\$ 1,519,146</u>

Revenue bonds. The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years for the item listed below was \$2,825,192. No revenue bonds were issued during the current year. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities		
1992 water	2.0%	<u>\$ 680,000</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Revenue bond debt service requirements to maturity are as follows:

Year Ended June 30	Principal	Interest
2006	\$ 80,000	\$ 13,600
2007	80,000	12,000
2008	80,000	10,400
2009	85,000	8,800
2010	85,000	7,100
2011-2013	<u>270,000</u>	<u>10,800</u>
	<u>\$ 680,000</u>	<u>\$ 62,700</u>

Capital lease. During the year, the government entered into a capital lease agreement with Eaton County for \$7,975,000 pursuant to the issuance of revenue and refunding bonds on behalf of the City by the County. The government pledges income derived from its water and sewer operations to pay debt service. Upon retirement of the underlying bonded debt, title to the capital assets will pass from the County to the City.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities		
2005 Eaton County revenue/refunding bond	3.5-5.0%	<u>\$ 7,975,000</u>
Component units		
GLAESA		
2004 ambulances		<u>\$ 220,000</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Annual debt service requirements to maturity for capital leases are as follows:

Year Ended June 30	Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest
2006	\$ 285,000	\$ 302,787	\$ 26,308	\$ 12,930
2007	275,000	345,988	27,854	11,383
2008	280,000	334,988	29,491	9,746
2009	280,000	325,188	31,225	8,013
2010	290,000	315,386	33,060	6,178
2011-2015	1,690,000	1,397,562	72,062	6,413
2016-2020	2,170,000	962,062	-	-
2021-2025	2,705,000	377,657	-	-
	<u>\$ 7,975,000</u>	<u>\$ 4,361,618</u>	<u>\$ 220,000</u>	<u>\$ 54,663</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Purchase agreements. The government has entered into various installment purchase agreements for the acquisition of real property and equipment. The original amount of these obligations for the primary government was \$605,345. No new purchase agreements were entered into during the current year.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities		
1998 purchase contract (River Street)	5.19%	\$ 30,450
2001 purchase contract (Osmer Property)	5.20%	184,067
2001 loan (Cemetery)	6.00%	51,566
		<u>\$ 266,083</u>

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Component units		
DDA		
1998 purchase contract (Larson)	5.0%	\$ 66,100
1998 purchase contract (Kingroy)	5.0%	121,500
LDFA		
1998 purchase agreement (Olinger Property)	4.62%	55,800
2001 loan (Installment)	5.0%	87,514
2001 loan (State of Michigan)	4.0%	533,333
2002 purchase agreement (Willis Property)	5.24%	851,578
GLAESA		
Fire apparatus	0.0-4.76%	327,101
		<u>\$ 2,042,926</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Annual debt service requirements to maturity for purchase agreements are as follows:

Year Ended June 30	Governmental Activities		Component Units	
	Principal	Interest	Principal	Interest
2006	\$ 36,031	\$ 14,245	\$ 170,355	\$ 67,366
2007	36,580	12,300	1,006,768	63,207
2008	171,028	10,321	159,256	21,737
2009	10,895	1,347	163,369	17,194
2010	11,549	693	157,778	22,456
2011-2014	-	-	385,400	14,869
	<u>\$ 266,083</u>	<u>\$ 38,906</u>	<u>\$ 2,042,926</u>	<u>\$ 206,829</u>

Current refunding. During the year, the City issued \$1,670,000 of limited tax general obligation refunding bonds (as part of a total issuance of \$7,975,000 through Eaton County under a capital lease agreement) to provide resources that were placed in a cash escrow account along with \$467,687 of City cash for the purpose of generating resources for all future debt service payments of \$2,095,000 in bonds. The refunded issues will be called and paid from the cash escrow account on the optional redemption dates of July 1, 2005 and October 1, 2005, respectively. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the business-type activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$71,498. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. This current refunding was undertaken to reduce total debt service payments by \$218,160 and resulted in an economic gain of \$138,214.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Primary Government</u>					
Governmental activities					
General obligation bonds	\$ 938,992	\$ 1,135,000	\$ 146,675	\$ 1,927,317	\$ 151,675
Purchase agreements	376,749	-	110,666	266,083	36,031
Compensated absences	195,118	136,698	117,223	214,593	25,751
Deduct deferred amounts for bond issuance costs	-	(17,025)	(980)	(16,045)	-
	\$ 1,510,859	\$ 1,254,673	\$ 373,584	\$ 2,391,948	\$ 213,457
Business-type activities					
General obligation bonds	\$ 1,660,000	\$ -	\$ 1,660,000	\$ -	\$ -
Revenue bonds	1,320,000	-	640,000	680,000	80,000
Capital leases	-	7,975,000	-	7,975,000	285,000
Purchase agreements	55,756	-	55,756	-	-
Compensated absences	75,642	25,424	32,050	69,016	8,282
Deduct deferred amounts for:					
Bond issuance discount	(11,275)	-	(11,275)	-	-
Bond issuance premium	-	265,611	1,116	264,495	-
Deferred loss on refunding	-	(71,498)	(1,459)	(70,039)	-
	\$ 3,100,123	\$ 8,194,537	\$ 2,376,188	\$ 8,918,472	\$ 373,282
<u>Component Units</u>					
DDA					
General obligation bonds	\$ 4,165,000	\$ -	\$ 295,000	\$ 3,870,000	\$ 305,000
Purchase agreements	206,450	-	18,850	187,600	19,750
	\$ 4,371,450	\$ -	\$ 313,850	\$ 4,057,600	\$ 324,750
LDFA					
General obligation bonds	\$ 730,000	\$ -	\$ 35,000	\$ 695,000	\$ 35,000
Purchase agreements	1,608,706	-	80,481	1,528,225	96,879
	\$ 2,338,706	\$ -	\$ 115,481	\$ 2,223,225	\$ 131,879
GLAESA					
Purchase agreements	\$ 390,060	\$ -	\$ 62,959	\$ 327,101	\$ 53,726
Capital leases	-	220,000	-	220,000	26,308
Compensated absences	32,908	14,927	-	47,835	12,675
	\$ 422,968	\$ 234,927	\$ 62,959	\$ 594,936	\$ 92,709

For the governmental activities, compensated absences are generally liquidated by the general fund.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

IV. OTHER INFORMATION

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2005, the government carried insurance through various commercial carriers to cover all risks of losses. The government has had no settled claims from these risks that exceeded its commercial coverage in any of the past three fiscal years.

B. Property taxes

The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through September 30; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Eaton County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the City for the 2003 levy were assessed and equalized at \$173,130,971 (not including properties subject to Industrial Facilities Tax exemption), representing roughly 50% of estimated current market value. The government's general operating tax rate for fiscal year 2003-04 was 8.1775 mills, with an additional 2.4531 mills for municipal streets and 0.8176 mills for recreation.

Property taxes for the DDA are derived from a tax increment financing agreement between the DDA and other related taxing districts. Under this arrangement, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City of Grand Ledge, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

C. Pension plan

The City of Grand Ledge Group Pension Plan is a defined contribution pension plan established by the City to provide retirement benefits to all participating full-time employees of the City. Plan provisions and contribution requirements are established and may be amended by the City Council. Employees may contribute up to 15% of their gross earnings to the plan. The City is required to contribute 5% of employee gross earnings and to match 100% of the first 5% and 50% of the next 10% of employee contributions. The City's maximum contribution does not exceed 15%. Employee contributions vest immediately, whereas employer contributions vest at a rate of 20% per year.

The payroll for employees covered by the plan for the year ended June 30, 2005 was \$1,687,547, as compared to the City's total payroll of \$2,031,896. For fiscal 2005, the City's contribution was \$195,622 (or 11.59% of covered payroll). Employee contributions were \$153,736 (or 9.11% of covered payroll).

D. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

E. State Construction Code Act Compliance

Public Act 245 of 1999 amended the State Construction Act to require Michigan municipal governments to establish fees that bear a reasonable relationship to the cost of operating their building departments. The City's fee structure is not intended to fully recover its costs, and accordingly, the operations of the City's building department are accounted for in the General Fund.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

For the year ended June 30, 2005, the City's revenue and expenditures related to its building department were as follows:

Revenue

Building permits	<u>\$ 245,241</u>
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Expenditures

Public safety - inspection	<u>\$ 245,749</u>
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F. Restatements

The beginning fund balance of the General Fund was increased by \$176,959 to properly account for a prior year transaction with the LDFA. The beginning net assets of the Water and Sewer Enterprise Fund were increased by \$29,000 to correct for an error in the accounting for certain capital assets. Finally, the beginning net assets of the governmental activities were increased by \$374,433 to incorporate the aforementioned General Fund restatement and to correct for errors in the accounting for certain capital assets.

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**COMBINING and INDIVIDUAL FUND FINANCIAL
STATEMENTS and SCHEDULES**

**City of Grand Ledge, Michigan
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005**

	<u>Special Revenue Funds</u>					
	<u>Major Street</u>	<u>Local Street</u>	<u>Parks and Recreation</u>	<u>Cemetery</u>	<u>Sidewalk</u>	<u>Drug Forfeiture</u>
<u>ASSETS</u>						
Assets						
Cash and cash equivalents	\$ 267,035	\$ 208,826	\$ 195,231	\$ 30,986	\$ 15,485	\$ 4,970
Taxes receivable	-	-	3,648	-	-	-
Accounts receivable	-	-	-	953	14,335	-
Notes receivable	-	-	-	-	-	-
Due from other governments	77,430	21,037	-	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ 344,465</u>	<u>\$ 229,863</u>	<u>\$ 198,879</u>	<u>\$ 31,939</u>	<u>\$ 29,820</u>	<u>\$ 4,970</u>
 <u>LIABILITIES AND FUND BALANCES</u>						
Liabilities						
Accounts payable	\$ 6,200	\$ 997	\$ 12,897	\$ 1,357	\$ 9,904	\$ 1,517
Salaries payable	1,532	2,068	11,585	2,058	-	-
Deferred revenue	-	-	3,648	-	-	-
Total liabilities	7,732	3,065	28,130	3,415	9,904	1,517
Fund balances						
Designated for subsequent year expenditures	-	-	36,659	-	-	-
Unreserved, undesignated	336,733	226,798	134,090	28,524	19,916	3,453
Total fund balances	336,733	226,798	170,749	28,524	19,916	3,453
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 344,465</u>	<u>\$ 229,863</u>	<u>\$ 198,879</u>	<u>\$ 31,939</u>	<u>\$ 29,820</u>	<u>\$ 4,970</u>

Special Revenue Funds				Debt Service Funds			Permanent Fund	Total
ACT 33 Special Assessment	Project D.A.R.E.	Airport Development	Juvenile Justice Grant	Island Bridge	Storm Drain	2004 Capital Improvement	Cemetery Trust	
\$ 17,669	\$ 4,717	\$ 20,947	\$ (13,006)	\$ 3,503	\$ 645	\$ 9	\$ 47,761	\$ 804,778
-	-	-	-	-	-	-	-	3,648
-	-	2,288	-	-	-	-	-	17,576
-	-	-	-	-	-	-	51,567	51,567
-	-	-	14,323	-	-	-	-	112,790
<u>\$ 17,669</u>	<u>\$ 4,717</u>	<u>\$ 23,235</u>	<u>\$ 1,317</u>	<u>\$ 3,503</u>	<u>\$ 645</u>	<u>\$ 9</u>	<u>\$ 99,328</u>	<u>\$ 990,359</u>
\$ -	\$ -	\$ 287	\$ 1,317	\$ -	\$ -	\$ -	\$ -	\$ 34,476
-	-	-	-	-	-	-	-	17,243
-	-	-	-	-	-	-	-	3,648
-	-	287	1,317	-	-	-	-	55,367
15,140	200	348	-	-	-	-	7,500	59,847
2,529	4,517	22,600	-	3,503	645	9	91,828	875,145
17,669	4,717	22,948	-	3,503	645	9	99,328	934,992
<u>\$ 17,669</u>	<u>\$ 4,717</u>	<u>\$ 23,235</u>	<u>\$ 1,317</u>	<u>\$ 3,503</u>	<u>\$ 645</u>	<u>\$ 9</u>	<u>\$ 99,328</u>	<u>\$ 990,359</u>

City of Grand Ledge, Michigan
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue Funds					
	Major Street	Local Street	Parks and Recreation	Cemetery	Sidewalk	Drug Forfeiture
Revenues						
Taxes	\$ -	\$ -	\$ 132,034	\$ -	\$ 37,900	\$ -
Intergovernmental	366,696	130,044	-	-	-	-
Charges for services	-	-	75,368	79,407	-	-
Interest	4,762	2,421	3,564	313	128	97
Other	6,353	6,202	18,942	1,300	-	544
Total revenue	377,811	138,667	229,908	81,020	38,028	641
Expenditures						
General government	-	-	-	124,523	-	-
Public safety	-	-	-	-	-	2,379
Highways and streets	332,875	126,209	-	-	80,796	-
Recreation and culture	-	-	192,887	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	10,150	8,630	-	-
Interest	-	-	2,106	3,612	-	-
Total expenditures	332,875	126,209	205,143	136,765	80,796	2,379
Revenues over (under) expenditures	44,936	12,458	24,765	(55,745)	(42,768)	(1,738)
Other financing sources (uses)						
Transfers in	39,141	361,700	19,500	110,500	32,000	-
Transfers out	(39,132)	(131,024)	(36,221)	(17,040)	-	-
Transfers from component units	-	-	-	-	-	-
Total other financing sources (uses)	9	230,676	(16,721)	93,460	32,000	-
Net changes in fund balances	44,945	243,134	8,044	37,715	(10,768)	(1,738)
Fund balances, beginning of year	291,788	(16,336)	162,705	(9,191)	30,684	5,191
Fund balances, end of year	\$ 336,733	\$ 226,798	\$ 170,749	\$ 28,524	\$ 19,916	\$ 3,453

Special Revenue Funds				Debt Service Funds			Permanent Fund	Total
ACT 33 Special Assessment	Project D.A.R.E.	Airport Development	Juvenile Justice Grant	Island Bridge	Storm Drain	2004 Capital Improvement	Cemetery Trust	
\$ 49,715	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 219,649
-	-	-	28,612	-	-	-	-	525,352
-	-	47,031	-	-	-	-	-	201,806
484	1,341	329	-	158	644	4	4,573	18,818
-	-	-	-	-	-	-	-	33,341
50,199	1,341	47,360	28,612	158	644	4	4,573	998,966
-	-	25,804	-	-	-	-	-	150,327
-	633	-	31,546	-	-	-	-	34,558
-	-	-	-	-	-	-	-	539,880
-	-	-	-	-	-	-	-	192,887
40,125	-	-	-	-	-	-	-	40,125
-	-	75,153	-	15,000	61,675	70,000	-	240,608
-	-	2,787	-	19,083	34,355	19,583	-	81,526
40,125	633	103,744	31,546	34,083	96,030	89,583	-	1,279,911
10,074	708	(56,384)	(2,934)	(33,925)	(95,386)	(89,579)	4,573	(280,945)
-	-	-	2,934	12,629	96,031	89,588	-	764,023
-	-	(9,000)	-	-	-	-	(29,300)	(261,717)
-	-	-	-	12,000	-	-	-	12,000
-	-	(9,000)	2,934	24,629	96,031	89,588	(29,300)	514,306
10,074	708	(65,384)	-	(9,296)	645	9	(24,727)	233,361
7,595	4,009	88,332	-	12,799	-	-	124,055	701,631
<u>\$ 17,669</u>	<u>\$ 4,717</u>	<u>\$ 22,948</u>	<u>\$ -</u>	<u>\$ 3,503</u>	<u>\$ 645</u>	<u>\$ 9</u>	<u>\$ 99,328</u>	<u>\$ 934,992</u>

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Major Street
For the Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	343,392	343,392	366,696	23,304
Charges for services	-	-	-	-
Interest	1,500	1,500	4,762	3,262
Other	-	-	6,353	6,353
Total revenues	<u>344,892</u>	<u>344,892</u>	<u>377,811</u>	<u>32,919</u>
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	339,543	359,626	332,875	(26,751)
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>339,543</u>	<u>359,626</u>	<u>332,875</u>	<u>(26,751)</u>
Revenues over (under) expenditures	<u>5,349</u>	<u>(14,734)</u>	<u>44,936</u>	<u>59,670</u>
Other financing sources (uses)				
Transfers in	-	-	39,141	39,141
Transfers out	(39,141)	(39,141)	(39,132)	9
Total other financing sources (uses)	<u>(39,141)</u>	<u>(39,141)</u>	<u>9</u>	<u>39,150</u>
Net change in fund balance	(33,792)	(53,875)	44,945	98,820
Fund balance, beginning of year	<u>291,788</u>	<u>291,788</u>	<u>291,788</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 257,996</u></u>	<u><u>\$ 237,913</u></u>	<u><u>\$ 336,733</u></u>	<u><u>\$ 98,820</u></u>

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Local Street
For the Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	131,079	131,079	130,044	(1,035)
Charges for services	-	-	-	-
Interest	250	250	2,421	2,171
Other	-	-	6,202	6,202
Total revenues	131,329	131,329	138,667	7,338
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	1,092,576	1,003,957	126,209	(877,748)
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	1,092,576	1,003,957	126,209	(877,748)
Revenues over (under) expenditures	(961,247)	(872,628)	12,458	885,086
Other financing sources (uses)				
Transfers in	354,700	354,700	361,700	7,000
Transfers out	(41,437)	(131,025)	(131,024)	1
Total other financing sources (uses)	313,263	223,675	230,676	7,001
Net change in fund balance	(647,984)	(648,953)	243,134	892,087
Fund balance, beginning of year	(16,336)	(16,336)	(16,336)	-
Fund balance (deficit), end of year	\$ (664,320)	\$ (665,289)	\$ 226,798	\$ 892,087

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Parks and Recreation
For the Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ 131,000	\$ 131,000	\$ 132,034	\$ 1,034
Intergovernmental	-	-	-	-
Charges for services	67,900	69,200	75,368	6,168
Interest	1,000	1,000	3,564	2,564
Other	21,150	21,150	18,942	(2,208)
Total revenues	221,050	222,350	229,908	7,558
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Recreation and culture	204,520	211,271	192,887	(18,384)
Capital outlay	-	-	-	-
Debt service:				
Principal	10,150	10,150	10,150	-
Interest	2,107	2,107	2,106	(1)
Total expenditures	216,777	223,528	205,143	(18,385)
Revenues over (under) expenditures	4,273	(1,178)	24,765	25,943
Other financing sources (uses)				
Transfers in	25,000	25,000	19,500	(5,500)
Transfers out	(36,229)	(36,229)	(36,221)	8
Total other financing sources (uses)	(11,229)	(11,229)	(16,721)	(5,492)
Net change in fund balance	(6,956)	(12,407)	8,044	20,451
Fund balance, beginning of year	162,705	162,705	162,705	-
Fund balance, end of year	\$ 155,749	\$ 150,298	\$ 170,749	\$ 20,451

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Cemetery
For the Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	76,470	76,470	79,407	2,937
Interest	500	500	313	(187)
Other	2,000	2,000	1,300	(700)
Total revenues	78,970	78,970	81,020	2,050
Expenditures				
General government	150,943	152,236	124,523	(27,713)
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	8,630	8,630	8,630	-
Interest	3,612	3,612	3,612	-
Total expenditures	163,185	164,478	136,765	(27,713)
Revenues over (under) expenditures	(84,215)	(85,508)	(55,745)	29,763
Other financing sources (uses)				
Transfers in	85,300	110,500	110,500	-
Transfers out	(17,050)	(17,050)	(17,040)	10
Total other financing sources (uses)	68,250	93,450	93,460	10
Net change in fund balance	(15,965)	7,942	37,715	29,773
Fund balance, beginning of year	(9,191)	(9,191)	(9,191)	-
Fund balance (deficit), end of year	\$ (25,156)	\$ (1,249)	\$ 28,524	\$ 29,773

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Sidewalk
For the Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ 39,000	\$ 39,000	\$ 37,900	\$ (1,100)
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	500	500	128	(372)
Other	-	-	-	-
Total revenues	39,500	39,500	38,028	(1,472)
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	73,150	85,520	80,796	(4,724)
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	73,150	85,520	80,796	(4,724)
Revenues over (under) expenditures	(33,650)	(46,020)	(42,768)	3,252
Other financing sources (uses)				
Transfers in	25,000	32,000	32,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	25,000	32,000	32,000	-
Net change in fund balance	(8,650)	(14,020)	(10,768)	3,252
Fund balance, beginning of year	30,684	30,684	30,684	-
Fund balance, end of year	\$ 22,034	\$ 16,664	\$ 19,916	\$ 3,252

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Drug Forfeiture
For the Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	80	80	97	17
Other	500	500	544	44
Total revenues	580	580	641	61
Expenditures				
General government	-	-	-	-
Public safety	580	2,380	2,379	(1)
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	580	2,380	2,379	(1)
Revenues over (under) expenditures	-	(1,800)	(1,738)	62
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	(1,800)	(1,738)	62
Fund balance, beginning of year	5,191	5,191	5,191	-
Fund balance, end of year	\$ 5,191	\$ 3,391	\$ 3,453	\$ 62

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Act 33 Special Assessment
For the Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ 45,000	\$ 45,000	\$ 49,715	\$ 4,715
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	75	75	484	409
Other	-	-	-	-
Total revenues	45,075	45,075	50,199	5,124
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	45,000	45,000	40,125	(4,875)
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	45,000	45,000	40,125	(4,875)
Revenues over (under) expenditures	75	75	10,074	9,999
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	75	75	10,074	9,999
Fund balance, beginning of year	7,595	7,595	7,595	-
Fund balance, end of year	\$ 7,670	\$ 7,670	\$ 17,669	\$ 9,999

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Project D.A.R.E.
For the Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	-	1,000	1,341	341
Other	-	-	-	-
Total revenues	-	1,000	1,341	341
Expenditures				
General government	-	-	-	-
Public safety	500	640	633	(7)
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	500	640	633	(7)
Revenues over (under) expenditures	(500)	360	708	348
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(500)	360	708	348
Fund balance, beginning of year	4,009	4,009	4,009	-
Fund balance, end of year	\$ 3,509	\$ 4,369	\$ 4,717	\$ 348

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Airport Development
For the Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	51,719	51,719	47,031	(4,688)
Interest	150	150	329	179
Other	-	-	-	-
Total revenues	51,869	51,869	47,360	(4,509)
Expenditures				
General government	17,650	26,934	25,804	(1,130)
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	75,078	75,153	75,153	-
Interest	4,147	2,788	2,787	(1)
Total expenditures	96,875	104,875	103,744	(1,131)
Revenues over (under) expenditures	(45,006)	(53,006)	(56,384)	(3,378)
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(9,000)	(9,000)	(9,000)	-
Total other financing sources (uses)	(9,000)	(9,000)	(9,000)	-
Net change in fund balance	(54,006)	(62,006)	(65,384)	(3,378)
Fund balance, beginning of year	88,332	88,332	88,332	-
Fund balance, end of year	\$ 34,326	\$ 26,326	\$ 22,948	\$ (3,378)

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Juvenile Justice Grant
For the Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	67,500	90,000	28,612	(61,388)
Charges for services	-	-	-	-
Interest	50	50	-	(50)
Other	-	-	-	-
Total revenues	<u>67,550</u>	<u>90,050</u>	<u>28,612</u>	<u>(61,438)</u>
Expenditures				
General government	-	-	-	-
Public safety	67,550	90,000	31,546	(58,454)
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>67,550</u>	<u>90,000</u>	<u>31,546</u>	<u>(58,454)</u>
Revenues over (under) expenditures	<u>-</u>	<u>50</u>	<u>(2,934)</u>	<u>(2,984)</u>
Other financing sources (uses)				
Transfers in	-	-	2,934	2,934
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,934</u>	<u>2,934</u>
Net change in fund balance	-	50	-	(50)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ 50</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (50)</u></u>

City of Grand Ledge, Michigan
Combining Statement of Net Assets
Internal Service Funds
June 30, 2005

	<u>Equipment Operating</u>	<u>Self - Insurance</u>	<u>Employee Benefit</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ (33,686)	\$ 7,735	\$ 83,346	\$ 57,395
Accounts receivable	1,589	-	-	1,589
Prepaid expense	<u>-</u>	<u>-</u>	<u>34,017</u>	<u>34,017</u>
Total current assets	(32,097)	7,735	117,363	93,001
Capital assets, net	<u>275,071</u>	<u>-</u>	<u>-</u>	<u>275,071</u>
Total assets	<u>242,974</u>	<u>7,735</u>	<u>117,363</u>	<u>368,072</u>
Liabilities				
Current liabilities:				
Accounts payable	19,621	-	1,401	21,022
Salaries payable	1,537	-	-	1,537
Accrued compensated absences, current portion	<u>549</u>	<u>-</u>	<u>-</u>	<u>549</u>
Total current liabilities	21,707	-	1,401	23,108
Noncurrent liabilities -				
Accrued compensated absences, net of current portion	<u>4,024</u>	<u>-</u>	<u>-</u>	<u>4,024</u>
Total liabilities	<u>25,731</u>	<u>-</u>	<u>1,401</u>	<u>27,132</u>
Net assets				
Invested in capital assets	275,071	-	-	275,071
Unrestricted (deficit)	<u>(57,828)</u>	<u>7,735</u>	<u>115,962</u>	<u>65,869</u>
Unrestricted	<u>\$ 217,243</u>	<u>\$ 7,735</u>	<u>\$ 115,962</u>	<u>\$ 340,940</u>

City of Grand Ledge, Michigan
Combining Statement of Revenues,
Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2005

	<u>Equipment Operating</u>	<u>Self - Insurance</u>	<u>Employee Benefit</u>	<u>Total</u>
Operating revenue				
Charges for services	\$ 181,432	\$ -	\$ 500,243	\$ 681,675
Other revenue	<u>5,677</u>	<u>-</u>	<u>28,971</u>	<u>34,648</u>
Total operating revenue	<u>187,109</u>	<u>-</u>	<u>529,214</u>	<u>716,323</u>
Operating expenses				
Personnel	67,437	-	482,144	549,581
Repair and maintenance	39,143	-	-	39,143
Utilities	5,211	-	-	5,211
Other	18,489	-	-	18,489
Depreciation	<u>46,593</u>	<u>-</u>	<u>-</u>	<u>46,593</u>
Total operating expenses	<u>176,873</u>	<u>-</u>	<u>482,144</u>	<u>659,017</u>
Net operating income (loss)	10,236	-	47,070	57,306
Non-operating revenues (expenses)				
Investment income (loss)	<u>(1,013)</u>	<u>144</u>	<u>1,469</u>	<u>600</u>
Change in net assets	9,223	144	48,539	57,906
Net assets, beginning of year	<u>208,020</u>	<u>7,591</u>	<u>67,423</u>	<u>283,034</u>
Net assets, end of year	<u>\$ 217,243</u>	<u>\$ 7,735</u>	<u>\$ 115,962</u>	<u>\$ 340,940</u>

City of Grand Ledge, Michigan
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2005

	<u>Equipment Operating</u>	<u>Self - Insurance</u>	<u>Employee Benefit</u>	<u>Total</u>
Cash flows from operating activities				
Receipts from interfund services	\$ 181,432	\$ -	\$ 500,243	\$ 681,675
Payments to suppliers/claimants	(4,806)	-	(458,388)	(463,194)
Payments to employees	<u>(69,603)</u>	<u>-</u>	<u>-</u>	<u>(69,603)</u>
Net cash provided (used) by operating activities	<u>107,023</u>	<u>-</u>	<u>41,855</u>	<u>148,878</u>
Cash flows from capital and related financing activities				
Acquisition of capital assets	<u>(92,728)</u>	<u>-</u>	<u>-</u>	<u>(92,728)</u>
Cash flows from investing activities				
Investment income (loss)	<u>(1,013)</u>	<u>144</u>	<u>1,469</u>	<u>600</u>
Net increase (decrease) in cash and cash equivalents	13,282	144	43,324	56,750
Cash and cash equivalents, beginning of year	<u>(46,968)</u>	<u>7,591</u>	<u>40,022</u>	<u>645</u>
Cash and cash equivalents, end of year	<u><u>\$ (33,686)</u></u>	<u><u>\$ 7,735</u></u>	<u><u>\$ 83,346</u></u>	<u><u>\$ 57,395</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 10,236	\$ -	\$ 47,070	\$ 57,306
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	46,593	-	-	46,593
Change in assets and liabilities:				
Accounts receivable	34,614	-	-	34,614
Prepaid expense	-	-	(6,616)	(6,616)
Accounts payable	17,746	-	1,401	19,147
Salaries payable	82	-	-	82
Accrued compensated absences	<u>(2,248)</u>	<u>-</u>	<u>-</u>	<u>(2,248)</u>
Net cash provided (used) by operating activities	<u><u>\$ 107,023</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 41,855</u></u>	<u><u>\$ 148,878</u></u>

City of Grand Ledge, Michigan
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

	<u>Agency Funds</u>			
	<u>Trust & Agency</u>	<u>Current Tax</u>	<u>Payroll Clearing</u>	<u>Total</u>
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	<u>\$ 21,909</u>	<u>\$ -</u>	<u>\$ (46)</u>	<u>\$ 21,863</u>
<u>LIABILITIES</u>				
Liabilities				
Accounts payable	\$ 750	\$ -	\$ (46)	\$ 704
Undistributed taxes	<u>21,159</u>	<u>-</u>	<u>-</u>	<u>21,159</u>
<u>TOTAL LIABILITIES</u>	<u>\$ 21,909</u>	<u>\$ -</u>	<u>\$ (46)</u>	<u>\$ 21,863</u>



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



August 24, 2005

To the City Council of the
City of Grand Ledge
Grand Ledge, Michigan

We have audited the financial statements of the City of Grand Ledge for the year ended June 30, 2005, and have issued our report thereon dated August 24, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated June 1, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the City of Grand Ledge. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by City of Grand Ledge are described in Note 1 to the financial statements. No new accounting policies were adopted during the year. We noted no transactions entered into by the City of Grand Ledge during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the original cost and accumulated depreciation of its infrastructure capital assets is based on current replacement costs, and an assumed rate of inflation from the dates of original acquisition/construction. We evaluated the key factors assumptions used to develop the original cost and accumulated depreciation of the City's infrastructure capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City of Grand Ledge's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the City of Grand Ledge, either individually or in the aggregate, indicate matters that could have a significant effect on the City of Grand Ledge's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Grand Ledge's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum is intended for the use of City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Lohorn". The signature is written in a cursive style with a large, stylized 'L' at the beginning.

City of Grand Ledge

Comments and Recommendations

For the Year Ended June 30, 2005

During our audit we became aware of certain issues regarding internal control and financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. This memorandum does not affect our report dated August 24, 2005 on the financial statements of the City of Grand Ledge.

Internal Controls – Segregation of Duties

Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the City's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the government's unique circumstances.

As is the case with many organizations of similar size, the City lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to initiate a transaction, record the transaction in the accounting records, maintain custody of the assets resulting from the transaction, and have continued access to the accounting records. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Events of recent years have given rise to a heightened awareness of the risks of fraud and abuse, especially in the governmental environment, where public accountability is at its highest. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitations on the effectiveness of a government's internal controls carry with it a greater risk of fraud and abuse.

Often, it is perceived by individuals, both inside and outside of an entity, that an audit of the financial statements performed in accordance with applicable professional standards is tantamount to an audit of that entity's internal control, that such a financial statement audit is itself an internal control, and that the auditor is responsible for detecting all fraud and abuse. This is not true, and both management and the governing body need to understand this in considering its internal control policies and procedures.

While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

* * * * *